

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 267 - HB 544

March 17, 2021

SUMMARY OF ORIGINAL BILL: Authorizes additional sign panels to be displayed where more than six businesses of a specific type are eligible at the same interchange or intersection approach by placing more than one specific service type on the same sign or using a second specific service sign. Specifies that this applies only to businesses qualified under the program as of July 1, 2009.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –

Exceeds \$83,300/FY21-22/Highway Fund

Exceeds \$85,900/FY22-23 and Subsequent Years/Highway Fund

Increase State Expenditures – Exceeds \$137,500/FY21-22/Highway Fund

SUMMARY OF AMENDMENT (004102): Deletes and replaces language of the original bill, such that this legislation applies only to businesses that have participated in these sign services for the last 10 years.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Pursuant to § 54-5-1103, the Department of Transportation (TDOT) is authorized to contract with a third-party vendor for construction, marketing, management, and maintenance of specific service signs.
- Per the Rules of Tennessee Department of Transportation, Chapter 1680-03-03, the "Notice of Eligibility" will be kept on file by the contractor for three years from the date it is issued; therefore, data of how many businesses qualified under the program within the last 10 years is not available.
- Under the current contract that goes through 2022, TDOT receives 80 percent of gross revenue for businesses contracting to have their name and/or logo appear on signage and

the Department incurs all of the cost for any new signs. The sign vendor retains the remaining 20 percent of gross revenue.

- It can be reasonably estimated that at least 75 businesses that qualified for the program as of July 1, 2009, but either did not apply or were denied due to limited space, will be added under this legislation.
- According to information provided by TDOT and confirmed with a third-party vendor, it is estimated the one-time state expenditures in FY21-22 to the Highway Fund will be approximately \$137,500 for new signs to accommodate the 75 new businesses.
- The revenue collected from businesses is an annual lease payment, in which the fee is increased by three percent each year.
- In FY21-22, the approximate fee collected from each business will be \$1,389.
- In FY21-22, the increase in state revenue to the Highway Fund is estimated to exceed \$83,340 $[(\$1,389 \times 75) \times 80\%]$.
- Although the TDOT contract for the marketing, management, and maintenance of the signs is through 2022, it can be reasonably estimated that the recurring increase in state revenue will continue to grow in subsequent years.
- In FY22-23, the approximate fee collected from each business will be \$1,431 $(\$1,389 \times 103.0\%)$.
- In FY22-23 and subsequent years, the increase in state revenue to the Highway Fund is estimated to exceed \$85,860 $[(\$1,431 \times 75) \times 80\%]$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/jg